

TRIPOLI-READLYN SANITATION AGENCY

INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENT AND
SCHEDULE OF FINDINGS

June 30, 2008

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Tripoli-Readlyn Sanitation Agency

Officials

Name	Title	Representing
Tom Cozart	Chairperson	Readlyn
Fred Homeister	Vice Chairperson	Tripoli
Brenda Bergmann	Secretary/Treasury	Tripoli
Barry Fortsch	Board Member	Readlyn
Gene Buenger	Board Member	Tripoli

Independent Auditor's Report

To the Members of the Tripoli-Readlyn Sanitation Agency:

I have audited the accompanying financial statement of the Tripoli-Readlyn Sanitation Agency as of and for the year ended June 30, 2008. This financial statement is the responsibility of the Agency's management. My responsibility is to express an opinion on the financial statement based on my audit.


I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

As described in Note 1, this financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than US generally accepted accounting principles.

In my opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Tripoli-Readlyn Sanitation Agency as of June 30, 2008, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated October 23, 2008 on my consideration of the Tripoli-Readlyn Sanitation Agency's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis on pages 4 through 6 is not a required part of the financial statement, but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.



Keith Oltrogge
Certified Public Accountant

October 23, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Tripoli-Readlyn Sanitation Agency provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of the Tripoli-Readlyn Sanitation Agency is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

Because the Agency is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the Agency's financial position and results of operations.

2008 FINANCIAL HIGHLIGHTS

- Operating receipts were \$107,511.
- Operating disbursements were \$108,279.
- Cash basis net assets increased approximately \$2,000 from June 30, 2007 to June 30, 2008.

USING THIS ANNUAL REPORT

The Agency has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than US generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the financial statement. The annual report consists of the financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Agency's financial activities.

- The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the Agency's operating receipts and disbursements, non-operating receipts and disbursements and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.
- Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the basic financial statement.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets

The purpose of the statement is to present the receipts received by the Agency and the disbursements paid by the Agency, both operating and non-operating. The statement also presents a fiscal snapshot of the cash balance at year end. Over time, readers of the financial statement are able to determine the Agency's cash basis financial position by analyzing the increase and decrease in cash basis net assets.

Operating receipts are received for garbage pick-up in the Cities of Readlyn and Tripoli, Iowa. Operating disbursements are disbursements paid to operate the Agency. Non-operating receipts and disbursements are for interest on investments and equipment purchases. A summary of cash receipts, disbursements and changes in cash basis net assets for the year ended June 30, 2008 is presented below:

Changes in Cash Basis Net Assets		Year ended June 30, 2008
Operating receipts:		
Garbage pick-up	\$	102,406
Fees		5,105
Total operating receipts	\$	107,511
Operating disbursements:		
Landfill fees	\$	30,631
Wages		44,465
Gas and oil		11,036
Other		22,147
Total operating disbursements	\$	108,279
Excess of operating receipts over operating disbursements	\$	-768
Non-operating receipts (disbursements):		
Interest on investments	\$	2,802

Net change in cash basis net assets	\$ 2,034
Cash basis net assets beginning of year	<u>134,483</u>
Cash basis net assets end of year	<u>\$ 136,517</u>
Cash Basis Net Assets Unrestricted	<u>\$ 136,517</u>

LONG-TERM DEBT

At June 30, 2008 the Agency had no long term debt outstanding.

ECONOMIC FACTORS

The financial position of the Agency improved slightly in the current fiscal year. The current condition of the economy in the state continues to be a concern for Agency officials. Some of the realities that may potentially become challenges for the Agency to meet are:

- Fuel costs continue to increase.
- Equipment requires constant maintenance and upkeep.

The Agency anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Agency's ability to react to unknown issues.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Agency's finances and to show its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Tripoli-Readlyn Sanitation Agency, PO Box 296, Tripoli, Iowa 50676

Financial Statement

Tripoli-Readlyn Sanitation Agency

**Statement of Cash Receipts, Disbursements and
Changes in Cash Basis Net Assets**

Year ended June 30, 2008

Operating receipts:

Garbage pick-up	\$ 102,406
Fees	5,105
Total operating receipts	<u>\$ 107,511</u>

Operating disbursements:

Landfill fees	\$ 30,631
Wages	44,465
Gas and oil	11,036
Advertising	146
Contract labor	1,055
Equipment maintenance	5,563
Insurance	6,124
Legal, accounting and auditing	2,597
Office equipment and supplies	315
Utilities	337
Payroll taxes	5,762
Miscellaneous	248
Total operating disbursements	<u>\$ 108,279</u>

Excess of operating receipts over operating disbursements	<u>\$ -768</u>
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Non-operating receipts (disbursements):

Interest on investments	<u>\$ 2,802</u>
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Net change in cash basis net assets	\$ 2,034
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Cash basis net assets beginning of year	<u>134,483</u>
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Cash basis net assets end of year	<u>\$ 136,517</u>
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Cash Basis Net Assets

Unrestricted	<u>\$ 136,517</u>
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See notes to financial statements.

Tripoli-Readlyn Sanitation Agency

Notes to Financial Statements

June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Tripoli-Readlyn Sanitation Agency operates under a 28E Agreement with the Cities of Tripoli and Readlyn, Iowa. It has a separate governing body, the Board of Trustees, whom are appointed to one-year terms. The Agency maintains its own system of books, records and accounts apart from the Cities of Tripoli and Readlyn. The Cities of Tripoli and Readlyn are audited separately.

A. Reporting Entity

For financial reporting purposes, the Tripoli-Readlyn Sanitation Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Agency are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursement.

Tripoli-Readlyn Sanitation Agency

Notes to Financial Statements

June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

The Tripoli-Readlyn Sanitation Agency maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Agency is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the Agency in accordance with U.S. generally accepted accounting principles.

D. Net Assets

Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Agency does not have any restricted net assets at June 30, 2008.

NOTE 2 – CASH AND INVESTMENTS

The Agency's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Tripoli-Readlyn Sanitation Agency

Notes to Financial Statements

June 30, 2008

NOTE 2 – CASH AND INVESTMENTS (continued)

Investments are in Certificates of Deposit and are stated at fair value.

At June 30, 2008, the Agency had the following investments:

Certificates of Deposit	Date Matures	Cost	Fair Value
American Savings Bank	07-04-08	\$ 20,508	\$ 20,508
Capmark Bank	08-22-08	40,000	40,000
Cathay Bank	05-15-09	10,000	10,000
Readlyn Savings Bank	09-20-09	25,000	25,000
		<u>\$ 95,508</u>	<u>\$ 95,508</u>

Interest rates on the above CDs range from 3.30% to 5.15%.

Interest Rate Risk – The agency manages interest rate risk with segmented time distribution.

NOTE 3 – PENSION AND RETIREMENT BENEFITS

The Agency contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing, multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the Agency is required to contribute 6.05% of annual covered payroll. Contribution requirements are established by state statute. The Agency's contribution to IPERS for the year ended June 30, 2008, was \$2,482, equal to the required contribution for the year.

Tripoli-Readlyn Sanitation Agency

Notes to Financial Statements

June 30, 2008

NOTE 4 – RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 5 – RELATED PARTY TRANSACTIONS

The Cities of Tripoli and Readlyn pay the Agency monthly fees for garbage pick-up. During the fiscal year ending June 30, 2008, the City of Tripoli paid \$63,365 and the City of Readlyn paid \$39,041.

The Agency also had business transactions with Agency officials totaling \$3,073 during the year ended June 30, 2008.

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of a Financial Statement Performed in Accordance with
Government Auditing Standards**

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Directors of the Tripoli-Readlyn Sanitation Agency:

I have audited the accompanying financial statement of the Tripoli-Readlyn Sanitation Agency as of and for the year ended June 30, 2008, and have issued my report thereon dated October 23, 2008. My report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Tripoli-Readlyn Sanitation Agency's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statement, but not for the purpose of expressing my opinion on the effectiveness of the Tripoli-Readlyn Sanitation Agency's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Tripoli-Readlyn Sanitation Agency's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies, including deficiencies I consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Tripoli-Readlyn Sanitation Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the Tripoli-Readlyn Sanitation Agency's financial statement that is more than inconsequential will not be prevented or detected by the Tripoli-Readlyn Sanitation Agency's internal control. I consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statement will not be prevented or detected by the Tripoli-Readlyn Sanitation Agency's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe items I-A-08 and I-B-08 are material weaknesses.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the Tripoli-Readlyn Sanitation Agency's financial statement is free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statement of the Agency. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Tripoli-Readlyn Sanitation Agency's written responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the Agency's responses, I did not audit the Tripoli-Readlyn Sanitation Agency's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the Board of Directors and customers of the Tripoli-Readlyn Sanitation Agency and other parties to whom the Agency report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the Tripoli-Readlyn Sanitation Agency during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.


Keith Oltrogge
Certified Public Accountant

October 23, 2008

Tripoli-Readlyn Sanitation Agency

Schedule of Findings

Year ended June 30, 2008

Part I – Findings Related to the Financial Statement:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-08 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that the same individual is responsible for preparation of checks and deposits, recording the transaction in the journals, and reconciling the bank statement.

Recommendation – With a limited number of personnel involved in accounting for Agency activity, an ideal system of segregation of accounting duties and functions cannot be achieved to assure adequate internal control over the safeguarding of assets and the reliability of financial records and reporting. This is not unusual in an organization of your size. Under these circumstances, the most effective control lie in (1) the Board's knowledge of the Agency's financial operations and (2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transactions.

Response – Every effort will be made to further evaluate and restructure accounting tasks limited by the number of employees available to perform said functions.

Conclusion – Response accepted.

Tripoli-Readlyn Sanitation Agency

Schedule of Findings

Year ended June 30, 2008

Part I – Findings Related to the Financial Statement (continued):

SIGNIFICANT DEFICIENCIES (continued):

I-B-08 Preparation of Full Disclosure Financial Statements – Internal controls over financial reporting include actual preparation and review of financial statement, including footnote disclosure, for external reporting, as required by an other comprehensive basis of accounting. The Agency does not have internal resources to prepare the full-disclosure financial statements required by another comprehensive basis of accounting for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with this condition because of cost or other considerations.

Recommendation – I recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles and prepare full disclosure financial statements for external reporting purposes is difficult. However, I recommend that Agency officials continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than rely on external assistance.

Response – We recognize our limitations, however it is not fiscally responsible to add additional staff at this time.

Conclusion – Response acknowledged.

I-C-08 Disbursement Approval – For all transactions tested, there was no evidence of Board approval.

Recommendation – The Agency should ensure all expenditures are properly approved. For payments made in advance of Board meetings, the Agency should maintain documentation of the Board's approval of claims for payment, such as a Board member's initials and date of approval. The Agency should also review the list of bills presented to the Board at regular meetings to ensure all claims are included.

Response – We will ensure all expenditures are properly approved and maintain documentation of the approval of disbursements made in advance of Board approval by having a Board member initial and date the claims.

Conclusion – Response accepted.

Tripoli-Readlyn Sanitation Agency

Schedule of Findings

Year ended June 30, 2008

Part I: Findings Related to the Financial Statements (continued):

SIGNIFICANT DEFICIENCIES (continued):

I-D-08 Payroll Reporting – During the audit, I identified errors in calculating the amount of employee's gross pay. I also noted the pay rates changed during the year but that change was not reflected in the Board minutes.

Recommendation – The Agency should implement procedures to ensure all payroll is calculated correctly and the rates are properly documented.

Response – We will double check these calculations in the future to avoid any errors. We will document pay rate changes in the Board minutes.

Conclusion – Response accepted.

I-E-08 Undocumented Costs – Supporting documentation was not available to substantiate all expenses.

Recommendation – The Agency should implement procedures to ensure proper supporting documentation is received and retained. Expenses should only be paid from proper invoices and receipts.

Response – We have instituted record keeping measures to ensure the appropriate documentation is maintained.

Conclusion – Response acknowledged.

Tripoli-Readlyn Sanitation Agency

Schedule of Findings

Year ended June 30, 2008

Part II – Other Findings Related to Required Statutory Reporting:

- (1) Questionable Disbursements – No disbursements I believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (2) Travel Expense – No disbursements of Agency money for travel expenses of spouses of Commission officials or employees were noted.
- (3) Agency Minutes – No transactions were found that I believe should have been approved in the Agency minutes but were not. However, the minutes, including the schedule of bills allowed and gross salaries, were not published as required by Chapter 28E.6(3) of the Code of Iowa.

Recommendation – The Agency should ensure the minutes are published as required.

Response – This recommendation will be followed for future meetings.

Conclusion – Response accepted.

- (4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Commission’s investment policy were noted, except as follows:

A resolution naming official depositories has not been adopted by the Commission.

Recommendation – A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted in accordance with Chapter 12C of the Code of Iowa.

Response – A resolution naming official depositories with sufficient amounts will be adopted.

Conclusion – Response accepted.

Tripoli-Readlyn Sanitation Agency

Schedule of Findings

Year ended June 30, 2008

Part II – Other Findings Related to Required Statutory Reporting (continued):

- (5) Business Transactions – Business transaction between the Agency and Agency officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Fred Homeister, Board Member Employee of Fredericksburg Co-op	Fuel	\$ 3013
Fred Homeister, Board Member	Contract Labor	\$ 60

In accordance with Chapter 362.5(10) of the Code of Iowa, the Contract with Fredericksburg Co-op appears to represent a conflict of interest. The amount is over \$1,500 and bids were not taken. The rest of the transactions do not appear to represent a conflict of interest since the amounts were less than \$1,500.

Recommendation – The Agency should consult legal counsel to determine the disposition of this matter.

Response – The Agency will contact legal counsel.

Conclusion – Response accepted.